

Message Text

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TREASURY: MCHAVES(INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY MADRID

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E.O. 11652:N/A

TAGS: ETRD, SP

SUBJECT: SPAIN'S INTEREST IN GSP

REFS: (A) STATE 23544; (B) MADRID 626

1. SPANISH ECONOMIC COUNSELOR JOSE SIERRA, AT HIS REQUEST,
CALLED ON DIRECTOR OF OFFICE OF INTERNATIONAL TRADE(SCHMIDT)
FEB. 4 TO DISCUSS RECENT GSP DEVELOPMENTS AND THEIR RELATION-
SHIP TO SPAIN'S ELIGIBILITY FOR GSP BENEFITS.

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2. SIERRA NOTED GOS WISH TO BE TREATED ON PAR WITH SPAIN'S COMPETITORS, NUMBER OF WHICH ALREADY INCLUDED ON LIST "A" ATTACHED TO PRESIDENT'S JAN. 13 LETTERS BEGINNING CONSULTATIONS WITH CONGRESS. IF ALL ADVANCED DEVELOPING COUNTRIES EXCLUDED FROM GSP, SIERRA SAID, THIS WOULD BE NO PROBLEM FOR SPAIN BUT IF OTHERS, INCLUDING SPAIN'S COMPETITORS, WERE INCLUDED AND SPAIN EXCLUDED THIS WOULD WORSEN SPAIN'S ALREADY LARGE TRADE DEFICIT WITH U.S.

3. IN RESPONSE TO SIERRA'S QUESTIONS, SCHMIDT NOTED THAT THERE CONTINUE TO BE MANY GSP PROVISIONS OF TRADE ACT WHERE AGREEMENT NOT YET REACHED ON DEFINITION OF TERMS OR USE OF EXISTING DISCRETION AFFECTING COUNTRY ELIGIBILITY. SCHMIDT DESCRIBED PURPOSE OF JAN. 13 LETTERS AS REPORTED REF. A AND EXPRESSED HOPE THAT AGREEMENT COULD BE REACHED ON BENEFICIARY COUNTRIES IN TIME TO ALLOW SIMULTANEOUS REVIEW BY INTERNATIONAL TRADE COMMISSION OF GSP PRODUCT LIST LIMITED OFFICIAL USE

AND OVERALL MTN PRODUCT LIST.

4. SIERRA ASKED WHETHER SEPARATE LISTING OF DEPENDENT TERRITORIES WAS INTEGRAL PART OF "A" LIST OF PRESUMPTIVELY ELIGIBLE COUNTRIES AND WAS GIVEN ASSURANCE THAT THIS WAS THE CASE. RE SPANISH SAHARAN TERRITORIES, SCHMIDT REMINDED SIERRA OF SECTION 502(C) CONSIDERATIONS TO BE TAKEN INTO ACCOUNT IN DETERMINING A COUNTRY OR A TERRITORY'S ELIGIBILITY, NOTING THAT THUS FAR GOS HAD MADE NO SUCH REPRESENTATIONS. WHILE SUCH EXPRESSIONS OF INTEREST AND ASSURANCE WERE NOT PREREQUISITE TO DESIGNATION FOR GSP ELIGIBILITY, THEY WOULD BE WELCOMED AND COULD BE HELPFUL.

5. IN RESPONSE TO INQUIRY RE SPAIN'S ELIGIBILITY, SCHMIDT NOTED THAT LEVEL OF DEVELOPMENT AND REVERSE PREFERENCES REMAINED KEY ISSUES IN USG CONSIDERATION OF WHETHER SPAIN COULD BE DESIGNATED A BENEFICIARY UNDER GSP. WHETHER COUNTRIES AT THRESHOLD BETWEEN DEVELOPING/DEVELOPED COUNTRY STATUS WOULD BE INCLUDED HAD NOT YET BEEN DECIDED. IN ADDITION TO QUESTION OF DEFINING DEVELOPING COUNTRIES GENERALLY, USG ALSO CONCERNED THAT EXTENSION OF GSP TO THRESHOLD COUNTRIES SHOULD NOT LEAD TO AVOIDANCE OF LIMITED OFFICIAL USE

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RESPONSIBILITIES (E.G., MTN CONCESSIONS, GRAIN STOCKPILING AND OTHER PARTICIPATION IN INTERNATIONAL PROGRAMS) WHERE SUCH COUNTRIES CAPABLE OF MAKING SUBSTANTIAL CONTRIBUTIONS TO IMPROVEMENT OF THE INTERNATIONAL ECONOMIC FRAMEWORK. RECENT REPORT USG HAD RECEIVED FROM MADRID THAT GOS MAY BE PLANNING INACTIVE ROLE FOR ITSELF IN MTN (REF.B) HEIGHTENED SUCH CONCERN. SCHMIDT ALSO NOTED IMPORTANCE OF MTN IN STEMMING RISING WORLDWIDE PROTECTION-

IST PRESSURES RESULTING FROM CURRENT ECONOMIC SITUATION.

6. SIERRA EXPRESSED SURPRISE AT REPORT THAT GOS MIGHT BE INCLINED TO TAKE PASSIVE APPROACH TO MTN SINCE HE HAD IMPRESSION THAT GOS ATTACHED CONSIDERABLE IMPORTANCE TO SUCCESS OF MTN. HE PROMISED TO CONVEY USG CONCERN TO MADRID. AS TO SPAIN'S ELIGIBILITY AS A DEVELOPING COUNTRY, SPAIN WAS ALREADY A BENEFICIARY UNDER GSP PROGRAMS OF AUSTRALIA, AUSTRIA, NEW ZEALAND AND SWITZERLAND. ALSO, SPAIN DESIGNATED AS AN ELIGIBLE COUNTRY UNDER JAPAN'S GSP THOUGH IMPLEMENTATION WOULD DEPEND UPON GOS SUSPENSION OF GATT ARTICLE XXXV RESERVATION CONCERNING APPLICATION OF GATT RULES TO JAPAN'S EXPORTS TO SPAIN. WITH RESPECT TO REVERSE PREFERENCES, IT WAS MADRID'S CONCLUSION ON BASIS OF STUDY WHICH WOULD BE MADE AVAILABLE THAT NO ADVERSE EFFECT ON US EXPORTS HAD RESULTED FROM SPAIN'S ASSOCIATION WITH THE EC. TRADE STATISTICS INDICATED THAT U.S. EXPORTS INCREASED AT TEN PER CENT

ANNUAL RATE IN PERIOD PRIOR TO EC-SPAIN AGREEMENT (1968-70) COMPARED WITH 25 PER CENT RATE IN FOLLOWING PERIOD (1970-72). ALSO, U.S. EXPORTS INCREASED DURING LATTER PERIOD AT FASTER RATE THAN THOSE OF EC. GOS UNDERSTOOD FROM LANGUAGE OF TRADE ACT THAT ASSURANCES ALONG LINES OF SECTION 502(B)3 LANGUAGE WOULD BE REQUIRED.

7. SCHMIDT REPLIED THAT USG WOULD WELCOME RECEIPT OF GOS STUDY ON EFFECT OF PREFERENCES. AS INDICATED BY PRIOR ARTICLE XXIII CONSULTATIONS, U.S. FEELING IS THAT SPAIN'S REVERSE PREFERENCES HAVE AN ADVERSE EFFECT. IF U.S. ANALYSIS LEADS TO FINDING OF SIGNIFICANT ADVERSE EFFECT ON U.S. COMMERCE, THEN SECTION 502(B)3 ACTIONS TO MITIGATE SUCH EFFECT WOULD BE REQUIRED. DEVELOPMENT STATUS ISSUE LIMITED OFFICIAL USE

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REMAINED, OF COURSE, AS SEPARATE PROBLEM AFFECTING ELIGIBILITY OF SPAIN AND OTHERS. INGERSOLL

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